

Issues in Medicare benefit design and cost sharing

ISSUE: Much of the Commission’s research focuses on refining Medicare’s payment systems to give providers incentives to improve quality and use fewer resources. However, the design of Medicare’s benefits and cost-sharing requirements, along with supplemental coverage available through private insurance, employers, and public programs such as Medicaid affects the degree to which beneficiaries seek care and the types of providers and services they use. As with supply-side factors, those choices, in turn, affect the quality and cost of care beneficiaries receive, as well as their health outcomes.

KEY POINTS: We describe basic patterns in coverage, utilization, and spending among Medicare beneficiaries today, and then present the effects of illustrative changes to the benefit structure of fee-for-service Medicare. One central point is that Medicare spending is highly concentrated in a relatively small group of beneficiaries. This fact strongly affects who would pay more out of pocket or less out of pocket under alternative benefit designs.

ACTION: Commissioners should provide feedback on the draft and suggest policy options to consider for the Commission’s June 2008 Report to the Congress.

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